Frequently Asked Questions about Montana's Unemployment Rate and other Labor Market Statistics

**Produced by the Research and Analysis Bureau,
Montana Department of Labor and Industry**

How often is Montana's unemployment rate published?
Montana labor statistics data is published monthly at the same time as all other states. The data is published for the prior month, so that July's estimates are released in August. Generally, the unemployment rate is released on a Friday during the third week of the month, although the schedule changes in some months due to the national release schedule. February's release, which includes labor statistics for the month of January, is delayed until March. In July, September, and November, the data is released on a Tuesday. The full release schedule can be found on the Bureau of Labor Statistics website at http://www.bls.gov/schedule/news_release/201008_sched.htm.

What is the difference between the statistics published by the Montana Department of Labor and Industry and the Bureau of Labor Statistics of the U.S. Department of Labor?
There is no difference between the statistics. The Bureau of Labor Statistics (BLS) contracts with the Montana Department of Labor and Industry (DLI) to collect and produce labor market statistics for our state. The Research and Analysis Bureau is the part of DLI that collects, produces, and disseminates the labor market information. The BLS provides the models and methodology that are used to generate the numbers, and the DLI must use the standard methodology. At times, there may be some disparity between the numbers published on the Montana DLI website and those published by BLS; this disparity is often because DLI updates the data and website more frequently.

I have read several news articles about how the unemployment rate doesn't account for "discouraged workers," or people who have stopped looking for work because they can't find a job. Is this true?
Yes and no. There are six unemployment rates calculated, and each one includes different types of workers. The unemployment rate that receives the most attention in the media and is published monthly by the BLS and the Montana Department of Labor and industry is called the U-3, or the "headline" rate. The U-3 is equal to the number of unemployed workers divided by those in the "labor force," or those who are employed or currently looking for work. If a worker

is "discouraged" and stops looking for work, they are not included in this headline unemployment rate.

However, the five other unemployment rates have different definitions of the labor force, and three of the six rates include discouraged workers. For example, the U-4 includes discouraged workers, along with those currently seeking employment and those working, in the labor force. The U-5 adds marginally-attached workers, while the U-6 adds in part-time workers. More information about the different unemployment rates can be found in our Economy at a Glance newsletter from February 2009:
http://www.ourfactsyourfuture.org/admin/uploadedPublications/3418_eag_feb09.pdf.

So why is the U-3, or the headline rate (because it's in the headlines) the only rate published in newspapers? First, while the U-3 is available monthly for Montana, the other rates are only available quarterly. Second, the other rates track very closely with the U-3. When the U-3 unemployment rate moves up, so do the other rates. Therefore, additional rates become rather confusing and repetitive. Third, the U-3 is the unemployment rate that has been produced for the longest amount of time. In order to compare today's unemployment rates with those in the 1970's, the U-3 must be used.

I'm unemployed, but I'm not receiving unemployment insurance benefits. Am I still included in the unemployment rate?
Yes. The Montana unemployment rate estimate considers all unemployed people when generating the rate, not just those receiving unemployment insurance (UI) benefits.

Not everyone who loses a job applies for UI benefits, and not everyone qualifies even after applying. For example, independent contractors and the self-employed don't pay into the UI system, and therefore do not qualify for benefits. In fact, only about a third of Montana's unemployed workers receive UI benefits. But the number of UI claims increase when unemployment increases, so the number of claims remains a good indicator of what is going on in the Montana economy.

To account for people who lose their jobs but don't file UI claims, the Bureau of Labor Statistics and the Montana Department of Labor and Industry consider other information when calculating the unemployment rate. The unemployment rate is calculated from a statistical model that combines data from three different sources. One of these sources is the number of claims for that month, which increases when overall unemployment increases. The second source is a survey of businesses called the Current Employment Statistics, which tracks hiring, firing, and employment in Montana businesses. The third source is the Current Population Survey (CPS), which is a national survey that calls American households and asks them about their employment status. About 800 Montana homes are called each month, which provides information on the employment status of self-employed workers and others that don't make UI claims.

Although it sounds complicated, the unemployment rates generated do a pretty good job of tracking the number of people in Montana that can't find work. The unemployment rates are checked against other data sources annually to make sure the model remains accurate. Surveying

a greater number of Montana households or other changes to the methodology would likely increase the accuracy of the unemployment rate, but these improvements would come with greater cost.

What does 'seasonally adjusted' mean?

Different industries hire and fire workers at the same time every year. For example, every winter, construction workers are laid off and retail workers are hired. Seasonal adjustments remove these known changes in the economy so that changes in the economy can be identified. For example, suppose the retail industry hires an average of 2,000 temporary workers every December, and then lets these workers go in January. One year, the retail industry thinks sales will be slow, so they only hire 1,000 workers instead of the usual 2,000. Unadjusted job counts would count these jobs as 1,000 added jobs to the economy, which gives the illusion that the economy is in good shape. On the other hand, seasonal adjusted job counts would count these jobs as -1,000 jobs, as there were -1,000 fewer people hired than expected for the season. The seasonal adjustment more accurately reflects the slower-than-average performance of the retail industry.

The Montana and U.S. unemployment rates are available in both seasonally adjusted and unadjusted forms. County unemployment statistics are only available as unadjusted data. For the majority of Montana counties, the unemployment rate will be higher in the winter months than in the summer months. Therefore, it is important to look at the unemployment rate in the same month in prior years to understand if a county's unemployment rate is trending up or down.

How are the unemployment rates for Montana's American Indian reservations developed?

Under the method developed by the Bureau of Labor Statistics, Montana's county level employment and unemployment estimates are generated through a method of disaggregating Montana's Current Employment Statistics estimates and Unemployment Insurance claims. However, this method does not allow for the development of reservation labor force statistics, as the CES and Unemployment Insurance claims data sources do not indicate if the data originated on a reservation. Due to this lack of data, the U.S. Bureau of Labor Statistics does not develop official labor force estimates for reservations.

In order to develop a set of reservation labor force estimates, the Research and Analysis Bureau uses a census share method to develop its own set of estimates. The census share method uses 2000 Decennial Census employment and unemployment estimates to develop each reservation's share of total employment and unemployment for each reservation county. When estimated, the ratios are multiplied with the annual Local Area Unemployment Statistics estimates for each of the reservation counties. After each of the counties estimates are developed for a specific reservation, the employment and unemployment estimates are summed to provide a reservation wide estimate. The following chart illustrates this calculation for the Blackfeet Reservation. According to the 2000 Census, 62% of Glacier County's employment occurred within the reservation boundaries. Assuming that percent is still true, Glacier County contributes 3,284 employed individuals to the total reservation employment of 3,471.

Illustration of the Calculation of Reservation Unemployment Rates: Blackfeet Reservation

	Total Employment	Percent of Employment on the Reservation According to the 2000 Census	2010 Reservation Employment
Glacier	5,297	62%	3,284
Pondera	2,340	8%	187
Total	7,637	45%	3,471

What is the difference between the unemployment rates for Montana's reservations published by the Research and Analysis Bureau and those published by the Bureau of Indian Affairs?

The Research and Analysis Bureau's set of labor force statistics differ from the Bureau of Indian Affairs (BIA) estimates in a number of ways. First, the Research and Analysis Bureau estimates include anyone who lives on a reservation, while the BIA estimates only look at American Indians. Second, the Research and Analysis Bureau defines the labor force as the civilian non-institutional population 16 years old and older that is either employed or unemployed. The BIA defines the labor force as the number of tribal members that are available for work, not disabled or incarcerated, and between the ages of 16 and 64 years old. Third, the Research and Analysis Bureau defines employment as someone who did any work as a paid employee, or worked in their own business, or worked 15 hours or more as an unpaid worker in the a family owned enterprise. The BIA defines employment as any tribal member that is working for money. The inclusion of only tribal members and more restrictive employment criteria means that the BIA's unemployment rate estimates will be higher than the Research and Analysis Bureau's estimates, and in many instances the estimates will be significantly higher.

The use of the full population of tribal members who are between the ages of 16 and 64 compared to only those looking for work explains the majority of the difference between the rates published by the BIA and the Research and Analysis Bureau. In a sense, the labor underutilization rate published by the BIA combines two different concepts – labor market participation and unemployment – into one measure. The unemployment rate measures how difficult it is for an individual to find work if they are looking. The labor market participation rate measures what percentage of the population that is working or looking for work. Although there are a number reasons why individuals may not be seeking work, such as taking care of family, improving their education or training, or a disability, labor force participation increases during a good economy and decreases with poor economic conditions. Areas with persistently low labor force participation, like some of Montana's American Indian reservations, are often areas that are dealing with severe economic problems that persist regardless of business cycles.

Montana's labor force participation rate was about 64.4% in 2010, roughly the same as the U.S. participation rate of 64.7%. Although the BLS does not publish official annual labor force participation estimates specifically for American Indians, data from the Current Population Survey indicate that American Indians have a lower labor force participation rate than the white

population. Labor force participation nationally in 2010 was about 58% for American Indians or about 60% including workers who are part American Indian and part another race.

The BIA formerly published their measure of labor underutilization every two years, but the last estimate was published in 2005. The 2005 estimate indicated that Montana's American Indians living on or near Montana's reservations experienced a labor underutilization rate of 65%. Without understanding the methodology differences and the lower rates of labor force participation, this rate would be shockingly high. Using comparable statistics, Montana's reservation areas have unemployment rates that ranged from 9.3% on the Fort Peck Reservation up to 18.3% on the Rocky Boy's Reservation in 2010, compared to 7.2% for all of Montana.

Where can I find information on county unemployment rates?
The Research and Analysis Bureau publishes the county unemployment rates every month on its website at www.ourfactsyourfuture.org. Historical data is available in the "Download Data" section, while a map of current rates is available in our monthly labor market newsletter, the Economy at a Glance. On the home page, click "Go to publication" in the top news box to find the map. Sign up to receive the Economy at a Glance in your email every month, sign up using the username and password boxes on the lower left.

What is the margin of error for the unemployment rate and other labor statistics?
The Montana unemployment rate is published at the 90 percent confidence interval with an error range of plus or minus one percent. Given that the reported changes to the unemployment rate are often only one or two percentage points, this is a fairly large error range. Unemployment statistics are designed primarily to track *changes* in the economy, rather than being precise on the *level* of unemployment. In other words, the statistical model used to calculate the unemployment rate is designed to determine whether unemployment is increasing or decreasing, but it is less accurate in whether the change is large or small. For these reasons, it is important to view the unemployment rate as a part of a historic trend.

Why do you publish two different measures of employment, total employment and payroll employment, in your press release?
Payroll employment is a count of all jobs in Montana where the worker receives a wage or salary. The wages and employment of most payroll workers must be reported by businesses to the Unemployment Insurance program. The reported wages and employment are aggregated to provide employment statistics in the Quarterly Census of Employment and Wages (QCEW). Because of the time needed for employers to report employment and analysts to aggregate the data, the QCEW is published six months after the quarter of hire.

Because of the need for more timely statistics, a monthly survey of a sample of employers is conducted as a part of the Current Employment Statistics (CES). The CES is the payroll employment figure that is published monthly in the press release. Because it is a survey, the CES estimates are often volatile and indicate large month-to-month employment changes that are often removed during data revisions. In fact, in a process called benchmarking, the CES data is